

# Appendix A

## Statement on the Robustness of Estimates and Adequacy of the Council's Reserves and Balances

1. In accordance with Section 25 of the Local Government Act 2003, the Director of Finance (as the officer designated under Section 151 of the Local Government Act 1972) has produced the following statements in respect of the proposed budget for 2023/24.
2. Finance Council is asked to consider these statements when considering the budget for 2023/24.

## Statement on the Robustness of the Council's Budget Calculations

3. In respect of the proposed General Fund Revenue Budget and Capital Programme for 2023/24, Finance Council is asked to consider the following statement from the Director of Finance acting in his capacity as the Council's Statutory Financial Officer when considering the budgets for 2023/24:-

***“This statement is given only in respect of the 2023/24 budget setting process for Blackburn with Darwen Council. I acknowledge my responsibility for ensuring the robustness of the budget calculations and the adequacy of reserves as part of this process.*”**

*As in previous years, a range of factors has been considered in this assessment of the robustness of the budget calculations for both the General Fund Revenue Budget and the Capital Programme for 2023/24. Whilst the narrative below explains some of these in more detail, **Appendix A** summarises other factors that have been considered.*

### Business Rates Retention

*Since the inception of the business rates retention scheme in 2013/14, the Council's annual share of income from the business rate retention system is not guaranteed; it is dependent on the Council's ability to retain and grow its business rates base and other factors outside of our control (e.g. appeals, collection etc). This is within an environment where economic growth in the Blackburn with Darwen area has proven difficult given a range of structural issues, eg connectivity, adequacy of land supply for economic development and lack of available funding for business expansion and support.*

*Estimating the Council's share of income from business rates for 2023/24 remains a challenge for a number of reasons. The revaluation of business property rateable values will take effect from April 2023. The Government will implement a more generous transitional relief scheme to support businesses with the impact of revaluation. Nevertheless, the ongoing uncertainty on the timing and level of appeals since the system for making appeals was revised in 2017 continues to pose problems with estimating the overall level of business rates incomes. There remain a number of appeals outstanding against the previous rating lists for which an assessment can be made but there continues to be limited detail at the time of budget setting regarding appeals against the new lists; these will emerge in the fullness of time.*

*The position is also exacerbated by a slowdown in the national economy which will, inevitably, impact on the local economy. This is combined with structural changes to the business rates taxbase, notably in the retail sector, which is seeing many retail outlets move their activities away from traditional 'bricks and mortar' trading to online trading. Whilst the latter is a one of the more fundamental matters for the sustainability of business rates as a method of financing local government, the challenging economic conditions could impact on property prices and has the more immediate potential to depress the rental value of properties (which, in turn, are used to determine rateable values). Likewise, the growth in opportunities for hybrid and home working will inevitably see businesses looking to reduce the amount of office space they require. The extent to which this will happen and its impact on the Council's estimate of business rates is difficult to predict and so it is a matter that will, nevertheless, need to be monitored closely.*

*At the same time, the level and extent of reliefs being made available by the Government to cushion the impact of business rates on businesses may have a bearing the amount of business rates to collect. In current year, substantial reliefs were given to retail properties and, to reduce the burden of business rates in 2023/24, the Government will increase this relief at the same time as continuing to freeze the business rates multiplier.*

*To inform the estimate of funding available to support Council spending in 2023/24, estimates have been made regarding the value of business rates that will be collected in both 2022/23 (for the estimate of the estimated Collection Fund Surplus) and 2023/24 (for the estimated amount of retained Business Rates). These estimates are based on a range of assumptions around changes in business rates - new property assessments, changes to existing properties, appeals against rateable values, applications for Retail Relief etc – and also levels of collection.*

*Having reviewed these estimates, including the amounts held in the relevant provisions, whilst I am content that they are reasonable and prudent based on information available at the time, **I must advise Council that there continues to be volatility in business rates, particularly due to the matters mentioned above.** For this reason, in the determination of the Business Rates to be collected in 2023/24, I have assumed no growth in the Business Rates Taxbase and provided for an additional amount totaling c£4.2m to deal with the loss of business rates due to successful appeals and doubtful debts. I have also earmarked an element of the minimum working balance for this purpose.*

*For the current year, actual income from business rates will not be finalised until after the end of the financial year. We have well-established arrangements to monitor business rates income closely during the year so that action can be taken as necessary to deal with any potential variation against the estimates used in setting the budget and these will continue to operate in 2023/24.*

### Council Tax

*The estimates for Council Tax receipts included in the budget for 2023/24 are based on increasing the Council Tax by the maximum allowable within the Government's Referendum Principles for the 2023/24 financial year. Should the Council resolve not to increase Council Tax by the maximum permissible, for every 1% variation from the maximum allowable rate, the loss of income would be c£620k; this income would be lost in perpetuity.*

*As with Business Rates, the actual amount of income received by the Council will be dependent on a range of factors including, for example, the award of reliefs/exemptions, take-up of the Local Council Tax Support Scheme and the rate of collection. Paying Council Tax is largely dependent on the affordability of Council Tax for residents; in recent years, the Council has had a reasonably good track record of collecting Council Tax but the impact of Covid-19 and latterly the cost of living crisis embodied in inflationary pressures from price rises on utilities, food and other household goods are likely to have a more significant bearing on collection than in previous years.*

*Again, the Council has in place good arrangements to monitor income from Council Tax and these will be used by Management to consider taking action on recovery of Council Tax debts (in accordance with the Council's relevant Collection Policies) where it is necessary to do so.*

### Development of Budgets

*The estimates of income and expenditure forming the Council's general fund revenue budget and capital programme for 2023/24 have been prepared on the basis of existing plans, known current and future commitments and the financial implications of the proposals for service efficiencies/reductions. Where it has been necessary to do so, they have been prepared in conjunction with the Strategic Directors, Heads of Service and Budget Holders. The base budget for 2023/24 is, in the main, consistent with the delivery of current and expected levels of service required to achieve the missions set out in the Corporate Plan that was approved by the Council in December 2022.*

*Where it has been necessary, in the case of certain budgets (e.g. pay, utility costs, investment income and income from fees and charges), assumptions have been used for inflation, interest rates and service take-up that, on the basis of current and predicted levels of activity, are considered to be reasonable and prudent. Likewise, in relation to capital receipts and grant funding which are expected to be received by the Council, assumptions have been made about the timing and amount of those receipts which I consider to be reasonable.*

*Locally, some budgets are more sensitive and responsive to changes in demand for services. This includes, for example:-*

- staffing budgets which are dependent on various factors including agreement on pay awards, turnover and, more recently, difficulties in recruitment and retention of staff requiring the use of temporary cover from Employment Agencies to maintain service provision. In particular, the pay award has been estimated on the basis of the best information possible but is subject to national negotiations that are out with the control of the Council;*
- utility costs have increased significantly over the last year. In 2023/24, the budget will be c£7m. This is based on the estimate of utility prices for the next year but as Councillors will be aware, these prices are affected by global events out with the control of the Council. Within the contractual arrangements that exist, the Council will work with Utility Brokers to manage costs within the budget provision wherever possible;*
- continuing upward pressure with demand for Adult Social Care Services. The underlying pressures of an ageing population and increasing complexity of health needs remains a constant issue. Combined with pressure on costs due to, for example, increases in the Real and National Living Wage, the difficulty in recruitment and the general fragility of the care market, the budget for Adult Social Care will need to remain under review. And whilst the impact of social care charging reforms as set out by the Government have in part been delayed until in October 2025 the Council will, nevertheless, need to continue with its preparation for those changes. At the same time, there remains the possibility of CQC Inspection of the Service which is likely to also consider the extent to which the broader health and social care system is operating. In this respect, the integration of health and social care services is gathering pace with the development of the Place-based partnership approach supported by the Lancashire and South Cumbria Integrated Care Board. What this means specifically for the services provided by the Council and the impact on residents is still to be determined but has the potential to both increase costs and provide opportunities for efficiencies;*
- similarly, demand for Children's Services continues to be an issue, again due to the complexity of needs and the growth in the numbers. Substantial additional investment has been made in the Service following the Ofsted Inspection in February 2022 and this will continue into 2023/24 with further funding of c£3.5m added to the budget. Whilst the number of Children in our Care remains relatively stable, the mix of permanence provision is weighted towards Out of Borough Residential and Fostering placements leading to higher costs. Activity to redress this balance, to have a clearer understanding of the sufficiency strategy and commissioning is well underway but this will take time to deliver. Acknowledging that the demand for commissioned placements is volatile from one year to the next, a specific reserve of £2m will be created (funded by de-committing funds allocated for income shortfalls) to provide financial capacity to deal with additional costs should they arise;*
- the vitality of the local housing market which impacts on services such as Housing, Planning, Building Control and Local Land Charges. In particular, income budgets for these areas have been set with regard to known and predicted market conditions but the nature of these service activities means that it is difficult to be precise about service levels and therefore the income that will be generated as a result;*

- *Income budgets such as for car parking, markets, leisure services and commercial rents have all been significantly affected by the cost of living crisis. Where it has been considered necessary to do so, budgets have been realigned to realistic levels reflecting the best information known at the time of setting the budget. The extent to which these budgets are deliverable will depend largely on the confidence of service users returning to use the services; this is difficult to predict in the current economic climate and will, therefore, need to be monitored carefully;*
- *Housing Benefits where, in recent years, the growth of supported (or exempt) accommodation where Housing Benefit subsidy is paid at 60% has led to increasing costs for the Council;*

*These examples illustrate the potential volatility in budgets, made even more volatile because of the uncertainty the general economic challenges faced both nationally and internationally, hence it may be necessary to take corrective action during the year to ensure that the Council's budget and capital programme remain in balance. The effectiveness of this action relies on good systems of budgetary control, monitoring and risk management. These systems are well established.*

*Equally, there are certain areas of expenditure/income where limited information is available on which to base budget estimates. These include, for example:-*

- *the impact of inflation on both revenue and capital budgets. It is becoming apparent that with the rate of inflation as it is, the cost of services and capital schemes is increasing. The forecast is for inflation to fall over the next year but how quickly this happens remains to be seen;*
- *the effect of changes to legislation and government policy which may create additional cost burdens. Examples include the impact of the Environment Act 2021 and the Elections Acts which will have. More recently, the Government has set out plans to transform Children's Social Care; these plans are wide-ranging but, as yet, there is little detail about the implication for the Council Adult Social Care and Levelling Up White Papers have been released, both of which may have a bearing on the Council's financial position;*
- *the impact of cost shunting from other government departments as they, too, seek to reduce their costs, i.e. business rate reductions as schools convert to Academies or applications for rating reliefs from parts of the NHS;*
- *more specifically, the Council has embarked on the delivery of the Darwen Town Investment Plan (TIP) as part of the Town Deal arrangements supported by Government. This requires match funding support from the Council for which there is provision in the Council's Capital Programme. The same applies to the recently announced Levelling Up Fund allocation for the J5 M65 Scheme for which there is also match funding commitment. The continued affordability of these schemes in the context of the Council's Medium Term Financial Plan will need to be reviewed on a regular basis to ensure that the relevant business cases remain sound.*

*Alongside these issues will be the success, or otherwise, of implementing savings proposals which Councillors agree to accept as part of the current budget process. It is important that the necessary measures to achieve these savings are implemented sufficiently early in the financial year to ensure that the full amount of savings is realised. Where savings are not implemented in full or at all, this could increase the requirement to draw from the Council's reserves in the year as well as creating unaffordable cost burdens in subsequent years.*

*It is important, therefore, to review actual performance against budget on a regular basis in order to ensure budgets remain on track, including the implementation of savings/efficiency proposals as well as being proactive in identifying emerging risks and responding accordingly, taking remedial action where this is appropriate.*

**Acknowledging the above and setting this within the wider control framework and financial management arrangements applied within the council I consider the Council's budget for 2023/24 in isolation to be robust.**

*Although I am not required at this stage to comment on the robustness of estimates for future years' budgets, it is my view that when considering the budget calculations for 2023/24, **Councillors must have regard to the medium term financial position of the Council when deciding the budget and council tax for next year.***

*The Council's Medium Term Financial Plan to 2025/26 shows a deficit of c£12.2m. This is based on assumptions of Government funding which cannot be confirmed with any certainty at this stage. As Councillors will be aware, the Settlement for 2023/24 is for one-year only, despite the Department of Levelling Up, Housing and Communities being given a 3-year Settlement as part of the recent Comprehensive Spending Review and information included in the Local Government Finance Policy Statement released late in 2022.*

*The Council's Financial Strategy is based around four key strands – Grow, Charge, Save and Stop. Progress is being made on the implementation of measures in most of these strands. That said, the budget reductions necessary to achieve a balanced budget are of a magnitude that it is not feasible to make incremental reductions in services or wholly from back-office functions, particularly given the amount of savings made since 2010. Budget reductions on the scale need to be from transforming Council Services, should be considered strategically and, whilst acknowledging the Council's corporate objectives, set in the context of the main areas of service spending. The financial challenge facing the Council is such that more work is needed and it will take time to identify and implement the required changes to the budget to make it sustainable.*

*At the same time, the Council needs to manage the use of balances and reserves as part of the strategy to achieve the necessary change in the budget. As balances and reserves have reduced, this will become more difficult and so decisions on budget reductions will become unavoidable.*

***Therefore, the degree of uncertainty with future funding allocations combined with the projected scale of the savings required by the Council to ensure a balanced budget each year means that I cannot, at this stage, comment on the robustness of budget estimates with effect from 2025/26. Suffice to say, the financial challenge facing the Council remains substantial and there are undoubtedly difficult decisions ahead as the Council seeks to align service spending within projected available resources.***

### **Statement on the Adequacy of Financial Reserves**

*“Having conducted a review of the Council's requirement for the minimum working balance, taking into consideration various matters including:-*

- *the Council's spending plans for 2023/24 and the medium term financial position;*
- *adequacy of estimates of inflation, interest rates;*
- *treatment of demand led pressures;*
- *impact of external partnerships;*
- *the need to respond to emergencies.*
- *Performance of business rates (and the position on the Collection Fund for business rates);*
- *Capital programme variations.*

*I can confirm that an amount of £6.0m is considered adequate for this purpose.*

*In relation to other financial reserves, a review has also been conducted to determine their adequacy. In addition to the matters referred to above, and taking into account the Medium Term Financial Plan, the review concluded that the level of such reserves is adequate based on current information in relation to anticipated risk, existing commitments and known future plans. That said, should there be a significant call on those reserves another review will need to be carried out.*

*This statement is made on the understanding that any use of reserves and balances is undertaken in accordance with the Council's existing Financial Procedure Rules and that a further review of reserves and balances will be undertaken in the Summer of 2023 following the preparation of the Council's accounts for 2022/23."*

## Appendix A

### Factors Considered in the Determining the Robustness of Estimates and Adequacy of Reserves

| Factors   | Commentary  |
|---|---|
| <p><b>The Council's Aims and Priorities</b></p>                       | <p>Where it is considered affordable to do so, the budget estimates reflect the amounts required to achieve service objectives agreed by Council as part of the Corporate Plan.</p> <p>The Council's Corporate Plan for the period to 2027 was approved by Policy Council in December 2022 and therefore the budget estimates and key budget assumptions have, where it is possible to do so, been aligned to the Council's corporate objectives.</p> <p>As the Corporate Plan extends over a number of years, and given the Council's financial plans are subject to review annually in line with the single-year funding settlements provided by Government, there will be a need to constantly review the alignment of the Corporate Plan with the Council's Medium Term Financial Plan.</p>   |
| <p><b>Financial Strategy (and Medium Term Financial Planning)</b></p> | <p>In preparing the Council's budget estimate for 2023/24, due regard has been given to the impact of decisions made by the Council on matters which might impact on the Medium Term Financial Plan (MTFP).</p> <p>Details of the updated Medium Term Financial Plan are reported to Finance Council elsewhere on the Agenda for this meeting so that decisions on the budget for 2023/24 can be taken in the context of the longer term impact for the Council. Equally, this is reflected in the development of a Financial Strategy which, amongst other matters, seeks to combine a prudent use of reserves with efforts to align the Council's ongoing expenditure with ongoing resource levels.</p> <p>Whilst acknowledging that the Financial Strategy is predicated on a range of assumptions which have contributed to the development of the Medium Term Financial Plan (MTFP), the extent to which the Council takes decisions that impacts those assumptions, will result in changes to the MTFP.</p> <p>Whilst the budget estimates shown in the Medium Term Financial Plan for 2023/24 to 2025/26 are, on the basis of current information, considered robust, they are unaffordable given the projected levels of income.</p> <p>The Financial Strategy is based on the following themes:-</p> <ul style="list-style-type: none"> <li>• <b>Growing</b> the Council's taxbases, both for business rates and for Council Tax along with any schemes, if any, the Government uses to incentivise the supply of housing (like the New Homes Bonus Scheme although it is acknowledged this is subject to reform);</li> <li>• <b>Charging</b> for services where it is considered appropriate to do so in line with the Fees and Charges Framework. It will also involve the introduction of new charges where this is considered feasible;</li> </ul> |

| Factors | Commentary   |
|---------|--|
|         | <ul style="list-style-type: none"> <li>• <b>Saving</b> costs by being more efficient, transforming how the Council provides services, working in partnership with others or by prioritising some services over others when allocating resources;</li> <li>• <b>Stop</b> – determining what are not priorities and, where possible, seeking other organisations who could provide them or stop them given the financial challenge faced by the Council.</li> </ul> <p>Underpinning the current strategy are the following strands:-</p> <ul style="list-style-type: none"> <li>• pursuing an Economic Development Strategy aimed at increasing, amongst other matters, the number of business rateable properties in Blackburn with Darwen thereby increasing the Council's share of retained business rates;</li> <li>• encouraging and facilitating housing development within the Borough thereby boosting our access to additional funding which the Government may distribute to reward the supply of housing growth;</li> <li>• making savings over the medium term based on the MTFP savings requirement rather than relying solely on reserves to balance the Council's budget (a strategy that relies heavily on finite reserves will simply defer, not reduce, the need to make savings and the longer savings are put off the greater the amount required). The Savings Strategy is based on a range of strategic Workstreams: <ul style="list-style-type: none"> <li>• Workstream 1 – Organisational Review</li> <li>• Workstream 2 – Asset Review and Rationalisation</li> <li>• Workstream 3 – Alternative Delivery Models</li> <li>• Workstream 4 – Adult Social Care Operating Model</li> <li>• Workstream 5 – Children's Services Operating Model</li> <li>• Workstream 6 – Income/Commercial Activity</li> <li>• Workstream 7 – Back Office Efficiencies</li> <li>• Workstream 8 – Procurement</li> </ul> </li> </ul> |



| Factors  | Commentary   |
|--|--|
|  | <ul style="list-style-type: none"> <li>• increasing the Council Tax in 2023/24 and subsequent years, to the extent this is possible without triggering a referendum. The proposal for 2023/24 is that Council Tax charge be increased by 2.99% and the Adult Social Care Precept by 2.0%. In future years, the assumption is that Council Tax will increase by the maximum amount within any revised thresholds set by Government. No consideration has been given to exceeding the referendum threshold although this policy remains open to consideration in future years;</li> <li>• no avoidable budget growth without compensating savings;</li> <li>• the planned use of the Budget Support Reserve in the period 2023/24 to 2025/26 to 'smooth' the amount of savings required accepting that even then, the magnitude of savings will present some extremely difficult decisions for the Council and impact on frontline service provision.</li> </ul> <p>Acknowledging the significant deficit on the Medium Term Financial Plan, it is important that work begins early in the new financial year to start developing options for the delivery of future savings.</p>  |
| <p><b>The level of funding likely from Central Government towards the cost of local services</b></p> | <p>From 2023/24, the Government has again provided Local Government with a 1-year funding settlement year (although the Local Government Finance Policy Statement issued in early December 2022 did provide some indication of funding for 2024/25).</p> <p>For 2023/24, given there have been no substantive changes, the Business Rates Retention Scheme will operate as in the current year with the Council retaining 49% of any business rates payable. Estimates of Business Rates to be retained have been produced and feature in the Council's budget for 2023/24.</p> <p>For 2023/24, the Council's core Revenue Support Grant (RSG) will be £15.695m which is an increase of £1.679m when compared to the current financial year. This reflects both an inflationary increase plus a number of grants that have been rolled into RSG (but which do not represent an increase in funding).</p> <p>At this stage, despite the 3-year Settlement for the Department of Levelling Up, Housing and Communities in the Comprehensive Spending Review in Autumn 2021 and the information provided in the Local Government Finance Policy Statement, a 1-year Settlement for 2023/24 provides little certainty for the Council's future funding. Equally, the Fair Funding Review and the review of the Business Rate Retention Scheme, all of which could have impacted on funding allocations from April 2023, will not now be undertaken in the life of the current Parliament. As a consequence, it is not possible to say with any certainty what Government funding the Council will receive after 2023/24. Forecasts of funding included in the Medium Term Financial Plan are based on estimates for 2023/24 and information provided to the Council by LG Futures who the Council retains as support on these matters.</p> |

| <b>Factors</b>   | <b>Commentary</b>   |
|--|---|
| <b>Council Tax Base</b>  | <p>The Council Tax Base for 2023/24 is 36,292.80 (35,439.30 in 2022/23), an increase of 2.41% when compared to the previous year.</p> <p>The Tax Base reflects a rate of collection of Council Tax for 2023/24 of 96.50%, no change when compared to the current financial year to reflect the expected level of collection given the ongoing cost of living crisis.</p> <p>The Council has robust procedures to monitor the rate of Council Tax collection during the financial year.</p>  |
| <b>Referendum Threshold set by the Secretary of State in respect of Council Tax Increases</b>            | <p>For 2023/24, the Government has indicated that for Councils like Blackburn with Darwen, the maximum allowable increase in Council Tax is 2.99% for the general Council Tax and 2% for the Social Care Care Precept. Anything above these limits will trigger a referendum of local taxpayers.</p> <p>The recommendation to the Finance Council is within these limits and should not, therefore, trigger a Referendum.</p>   |
| <b>The Prudential Code and its impact on capital planning (including the Corporate Capital Strategy)</b> | <p>The Council has a Capital Strategy which informs future projected capital expenditure and income. Arising out of consideration of the Capital Strategy, there is recommended to Council a Capital Programme for 2023/24 which is considered to be affordable, prudent and sustainable.</p> <p>Subject to Council's decision on the overall Capital Programme and how it will be financed, it may be necessary to revisit the prudential indicators to ensure that the proposed Capital Programme remains affordable, prudent and sustainable</p>   |
| <b>Financial Standing (including adequacy of reserves)</b>   | <p>On the basis of the third quarter budget monitoring exercise, the General Fund Revenue Budget for 2022/23 is estimated to be overspent by £5.7m. Any variations that have an ongoing impact on the Council's budget in the current year have been factored into the budget for 2023/24 where it is applicable to do so.</p> <p>The Medium Term Financial Plan for the period 2023/24 to 2025/26 shows a shortfall in projected resources giving rise to a significant savings requirement.</p> <p>The Council has in place a strategy which combines the planned use of reserves to smooth the level of savings required in each year but nevertheless this still requires Councillors to agree the necessary reductions in expenditure or increases in income to balance spending within available resources.</p> <p>A review of the Council's Minimum Working Balance justifies retaining a balance of £6m. The adequacy of this will remain subject to review on at least an annual basis. Equally, a review of specific reserves has been undertaken and these are assessed as being adequate for the purpose for which they were created. As required by Statute, these too will be subject to at least an annual review.</p> |

| Factors   | Commentary   |
|---|--|
|   | <p>The Council's External Auditors are likely to give an unqualified opinion on the Statement of Accounts for 2021/22 (although it should be noted that due to national technical accounting issues, the 2020/21 Statement of Accounts have yet to be signed off).</p> <p>In the context of our Financial Standing, our arrangements for ensuring value for money for 2020/21 were reviewed by the External Auditor. A report on this matter was considered by the Audit and Governance Committee in June 2022. In conclusion, the External Auditors commented that:-</p> <p><i>'Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risk to its oversight in ensuring economy, efficiency and effectiveness in its use of resources'</i></p>   |
| <b>Financial Management</b>                     | <p>The Council's financial information and reporting arrangements are considered to be sound and the end of year procedures in relation to budget management and the closure of accounts are currently considered fit for purpose.</p> <p>As indicated above, the Council's External Auditors are likely to give an unqualified opinion on the Statement of Accounts for 2021/22. Work is still underway on the Council's arrangements for ensuring value for money in the year and this will be the subject of a further report to the Audit and Governance Committee. As in 2020/21, no material issues are expected to be raised.</p> <p>The management of the Council's asset base continues to be reasonably good with resources linked to capital planning in both the annual budget and the Medium Term Financial Plan. Work to update the Council's Asset Management Plan is underway and, as part of the Strategic Workstreams, a review and rationalisation of the Council's asset base is underway.</p> <p>Collection performance of both NNDR and Council Tax are broadly as expected in 2022/23 acknowledging that the cost of living crisis continues to impact on collection. Collection performance continues to be managed closely by the Head of Revenues and Benefits in conjunction with the Director of Finance and the Executive Member for Finance and Governance.</p> <p>The Council has undertaken a review of its Financial Management Arrangements against CIPFA's Financial Management Code at the end of the last (2021/22) financial year. This has subsequently been subject to internal audit review which found that the Council's arrangements are adequate.</p> |
| <b>Corporate Governance and Risk Management</b> | <p>The Council has adopted a Local Code of Corporate Governance based upon the most recent requirements of the CIPFA/SOLACE Corporate Governance Framework. The Local Code was assessed against the revised 2016 CIPFA/SOLACE framework and overall, our arrangements were found to be robust with only a small number of areas requiring further work or improvement.</p>   |

| <b>Factors</b>   | <b>Commentary</b>  |
|--|--|
|  | <p>These arrangements are subject to regular self-assessment by a the Council’s Statutory Officers Group including Chief Executive, Director of Finance and Deputy Director, Legal and Governance. The Group meets periodically to consider matters including corporate governance and risk management issues.</p> <p>The Council also has a risk management policy and framework which underpins the Strategic Risk Register and various Departmental Risk Registers. A refresh of these arrangements was undertaken in 2022. There are regular reports on risk management to the Audit and Governance Committee.</p>   |
| <p><b>The adequacy of the Council’s Insurance Arrangements</b></p> | <p>The Council’s insurance arrangements are reviewed annually as part of the review of premiums paid and levels of cover obtained.</p> <p>The Council implemented a contract of insurance with Zurich Municipal from April 2017 following the completion of an OJEU compliant procurement exercise. A re-procurement of the contract has recently concluded and will be reported to the Executive Board in due course.</p> <p>There continue to be close links between the work to ensure adequate insurance arrangements, risk management and business continuity. This work is overseen by the Head of Audit and Assurance and the Audit and Governance Committee.</p> |
| <p><b>Business Continuity Arrangements</b></p>                     | <p>The Council has a Resilience and Emergency Planning Team responsible for responding to emergencies and business continuity situations.</p> <p>The Council has a Corporate Business Continuity Plan (BCP) which is supported by a suite of Service-specific Business Continuity Plans. These are reviewed and updated regularly. Likewise the Council’s Emergency Plan is regularly reviewed and updated.</p> <p>In both cases, regular training and updates are provided for Officers on both business continuity and emergency planning to ensure Officers are clear about their roles and responsibilities in the event of emergency situations.</p>                |
| <p><b>Arrangements to secure Value for Money</b></p>               | <p>The Council’s arrangements in relation to value for money for 2020/21 have been assessed and the External Auditor concluded that the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources.</p> <p>The External Auditor is undertaking their work on this assessment for 2021/22 and is expected to report on this in the first quarter of 2022. It is not expected there will be any issues arising.</p>   |

| Factors                               | Commentary   |
|---------------------------------------|--|
| <p><b>Interest Rates</b></p>          | <p>At the time of writing, the bank base rate is currently 3.50% following a decision by the Bank of England to increase the rate in February 2023. With inflation increasing and expected to peak around 7% during 2023, the expectation is for further increases in interest rates. This is likely to have direct impact on the levels of investment returns the Council expects to receive.</p> <p>Looking ahead, interest returns have been set at 4% for 2023/24, 3% for 2024/25 and 2% for 2025/26 although these will be reviewed as part of the on-going development of the Medium Term Financial Plan. This reflects the expectation that interest rates will start to reduce over the medium term as inflation begins to reduce.</p> <p>Interest rates on long term debt are fixed at the rate at which the debt was taken. The Council's present debt which consists wholly of loans from the Public Works Loan Board has a consolidated rate of interest of 3.8%.</p> <p>Annually, the Council agrees a Treasury Management Strategy which sets out how both borrowing and investments will be managed throughout the year. For 2023/24, this will be reported to the Executive Board in March 2023.</p> <p>To mitigate against fluctuations in interest rates, and therefore changes in investment returns, the General Fund Minimum Working Balance includes provision for loss of income in the short term.</p> |
| <p><b>Pay and Price Inflation</b></p> | <p>An allowance of 5% has been factored in to the budget for the Local Government pay award in 2023/24.</p> <p>Generally, other budgets are cash limited (i.e. not increased by general inflation) with the exception of certain costs, e.g. utilities, waste inflation, where budgets have been increased to reflect anticipated inflationary increases.</p> <p>Consumer Price Index at December 2022 was 10.5% (4.8% for December 2021) and the Retail Price Index was 13.4% (7.5% for December 2021).</p>   |
| <p><b>Fees and Charges</b></p>        | <p>Annually, the Council reviews its fees and charges. During the year, the Council agreed a Fees and Charges Framework to guide the setting of fees and charges.</p> <p>Where necessary, income budgets have been adjusted both to reflect price and volume changes. In relation to the latter, it is notable that some budgets for fees and charges have not yet recovered to pre-Covid-19 levels and as a consequence, adjustments have been made to those budgets to more reflect realistic expectations of performance.</p> <p>As in the current financial year, the Council needs to closely monitor budgets for fees and charges to ensure they remain in line with expectations and, where necessary, be in a position to respond if budgets are not being achieved.</p>   |

| Factors                            | Commentary  |
|------------------------------------|---|
| <p><b>Demand Led Pressures</b></p> | <p>Where possible, the forecasts of income and expenditure forming the Council's budget estimates for 2023/24 take into account anticipated changes in demand led pressures to the extent that they can be predicted. However, by the very nature, these can vary from year to year as service take-up in these areas is difficult to forecast.</p> <p>The cost of living crisis has replaced the impact of Covid-19 on the Council's budget and is expected to continue doing so in the 2023/24 financial year. The success of the Bank of England's monetary policy interventions along with the Government's fiscal policies will be key determinants in this respect.</p> <p>There remains the potential for demand increases in the number of service users in areas such as Adult Social Care, Children's Services, Benefits and Homelessness and the extent to which the Council maintains service provision will need to be monitored carefully.</p> <p>In considering the budget for 2023/24 to Council, it should be noted that budgets will be cash limited and as a consequence Budget Holders will be required to manage demand led pressures within their existing budget allocations.</p> <p>Notwithstanding this, the Council's General Fund Minimum Working Balance includes provision to deal with some level of unexpected and unforeseen costs arising from increases in demand for services.</p> |
| <p><b>Emerging Pressures</b></p>   | <p>The projections within the budget and the Medium Term Financial Plan include all known and quantified priorities and growth pressures that Managers are aware of at the time the budget is proposed.</p> <p>Some matters, particularly the financial impact of the Covid-19 Pandemic and the time it will take the local economy to recover from its impact, are difficult to assess in budgetary terms and will, therefore, require closely monitoring. The arrangements are in place for that to happen.</p> <p>Looking ahead, as well as the continued reduction in our core funding generally, there are a range of other issues which may require investment:-</p> <ul style="list-style-type: none"> <li>• a focus on economic growth and job creation to support business and increase employment which should yield additional business rates income;</li> <li>• ensuring continued sustainability of the Adult Social Care market combined with reforms that may require additional investment from the Council;</li> <li>• continuing the improvement journey in Children's Services;</li> <li>• implementing any measures that arise out of the Government's plan to transform Children's Services;</li> <li>• The devolution agenda including any requirements of the Levelling Up White Paper and/or matters such as County Deals</li> </ul>  |



| Factors | Commentary  |
|---------|---|
|         | <p>where, at this stage, it is uncertain exactly what they will mean for the Council;</p> <ul style="list-style-type: none"> <li>• Dealing with measures in the Environment Act including potential changes to the arrangements for waste collection and disposal arising out of the Act that may have significant financial implications for the Council;</li> <li>• The Council has declared a Climate Emergency and so the need to take action to deal with this will, inevitably, create funding pressures if there is no funding made available by the Government. These actions are captured in the Climate Change Emergency Plan;</li> <li>• Delivering the Darwen Town Deal, a Levelling Up Fund Bid for Blackburn and projects funded by the Shared Prosperity fund that require match funding from the Council and other local organisations;</li> <li>• the ongoing changes to the Benefits regime including the impact of Full Service Universal Credit and ongoing welfare reforms. This is difficult to predict especially as changes to the programme of claimants transferring to UC recently being announced by government;</li> <li>• as partners and other local organisations experience reductions in their funding this may affect access to services they provide within Blackburn and Darwen and in some cases lead to pressure for the Borough Council to help address the position or to help other groups to take on the responsibility (e.g. services provided by the County Council and the role of the Voluntary and Community Sector in Blackburn/Darwen).</li> <li>• as the Council reduces in size, funding may be required to help meet the 'costs of change';</li> <li>• legislative changes leading to potential increased costs for the Council.</li> </ul> <p>This above is not an exhaustive list and there will be other issues that arise either due to local priorities or statutory obligations.</p> |